

B8595F
3.A22
1998/99
Copy 2

S. C. STATE LIBRARY

NOV 9 1999

OFFICE OF THE STATE AUDITOR

STATE DOCUMENTS

Mission Statement

The mission of the State Auditor's Office is to serve as a deterrent to fiscal mismanagement, fraud, and misuse of assets by state agencies and providers of Medicaid services and to provide audit coverage of those entities as required by law or regulation. State agency audit reports and management letters are submitted to the Governor's Office, Comptroller General, State Treasurer, Senate Finance Committee, House Ways and Means Committee, the State Budget Division, Legislative Audit Council, and to the audited agency. Medicaid audit reports are submitted to the Department of Health and Human Services and to the Medicaid service providers. The State Auditor's Office also performs the audit of the State's General Purpose Financial Statements and the Single Audit of the State's Schedule of Expenditures of Federal Awards and provides investigative and technical assistance to government entities. A statewide toll-free Fraud Hotline allows the citizens of South Carolina to report waste, fraud, misuse and abuse of State funds.

Customer Focus and Satisfaction

The State Auditor's primary customer is the General Assembly, who has defined its requirements and expectations by law. In order to satisfy this most important customer, the State Auditor's Office must conduct audits according to accepted professional standards with an emphasis on quality.

The State Auditor's Office undergoes an external quality control review every three years as required by Generally Accepted Government Auditing Standards (GAGAS). A system of quality control encompasses quality control policies and procedures, assignment of responsibilities, communication and monitoring. The elements of quality control include independence, assigning personnel to engagements, consultation, supervision, hiring, professional development, advancement, and inspection.

Our audit engagements are subject to several internal reviews by the in-charge auditor and the manager. In addition, there is an independent report review before the report is released. Throughout the year, engagements are selected on a sample basis for workpaper and report review. This process helps identify and correct any weaknesses and helps maintain the high level of quality.

Description of Programs

Program Title Audits Program - State Agencies

Priority Ranking 1

Program Cost Funding for this program is provided entirely by State appropriations. For FY 1998-99 total expenditures for this program were \$2,527,699.

Program Goals Section 11-7-20, 1976 South Carolina Code of Laws, as amended, requires the State Auditor to examine at least once each year the books, accounts, receipts, disbursements, vouchers and records of all State officers charged with the receipt and expenditure of public funds and of all State educational, charitable and penal institutions for the support of which the State contributes by an appropriation or provision of Law. The goals of this program are to identify weaknesses in agencies' accounting systems or procedures, to report non-compliance with laws and regulations, and to create a deterrent to fraud and poor financial management.

The State Auditor's Office audits the State's General Purpose Financial Statements, which are important to the State's credit rating, and conducts the Single Audit of Expenditures of Federal Awards, which is required by the Single Audit Act of 1984.

The State Auditor's Office also provides technical assistance to other governmental entities by reviewing financial records and systems of organizations alleged to have financial problems of a management or criminal nature.

Program Objectives

- 1) Provide adequate audit coverage of state agencies and audit each year those agencies where annual audits are required by law.
- 2) Audit each year the State's General Purpose Financial Statements prepared by the Comptroller General.
- 3) Audit each year the State's Schedule of Expenditures of Federal Awards.
- 4) Respond to all requests for technical assistance in reviewing financial records when allegations of wrongdoing are made or suspected.

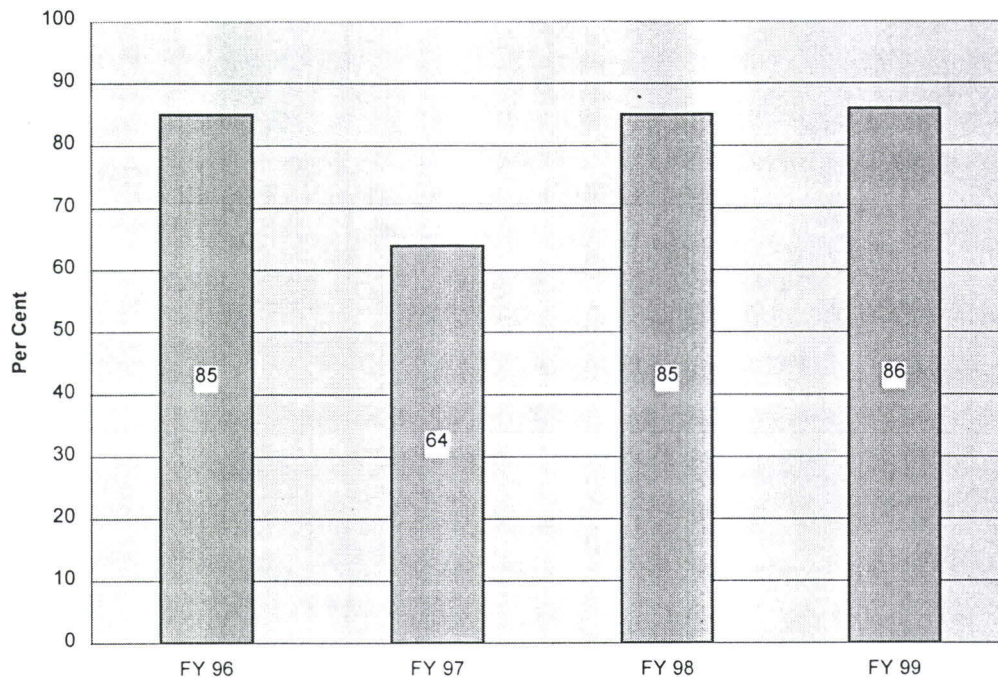
Program Results

Business Driver - Eighty-six percent of the audits scheduled and required by law were completed within 14 months of fiscal year end.

Business Driver - The audit of the State's General Purpose Financial Statements was completed on schedule by December 1, 1998.

Business Driver - Single Audit of Expenditures of Federal Awards was completed on schedule by June 30, 1999.

State Audits Completed Within Time Frames



Program Title **Audits Program – Medicaid**

Priority Ranking 2

Program Cost

Funding for this program is provided by State appropriations. However, the Appropriations Act requires the State Auditor's Office to bill the Department of Health and Human Services for 50% of the cost of auditing Medicaid providers. This reimbursement by the Department of Health and Human Services is remitted to the State's general fund. In FY 1998-99 the total of expenditures for this program was \$1,313,914.

Program Goals

The goal of this program is to provide adequate audit coverage of approximately 300 participating Medicaid providers in accordance with the Code of Federal Regulations, Title 42, Section 447.253, which requires periodic audits of the financial and statistical records of participating providers of Medicaid institutional care. Each year approximately 100 Medicaid contractors are audited. The audits identify overpayments of state and federal Medicaid funds to Medicaid providers, allowing the Department of Health and Human Services to recoup the funds. In

addition to the cost savings, the program deters Medicaid providers from making future claims for reimbursement for similar costs.

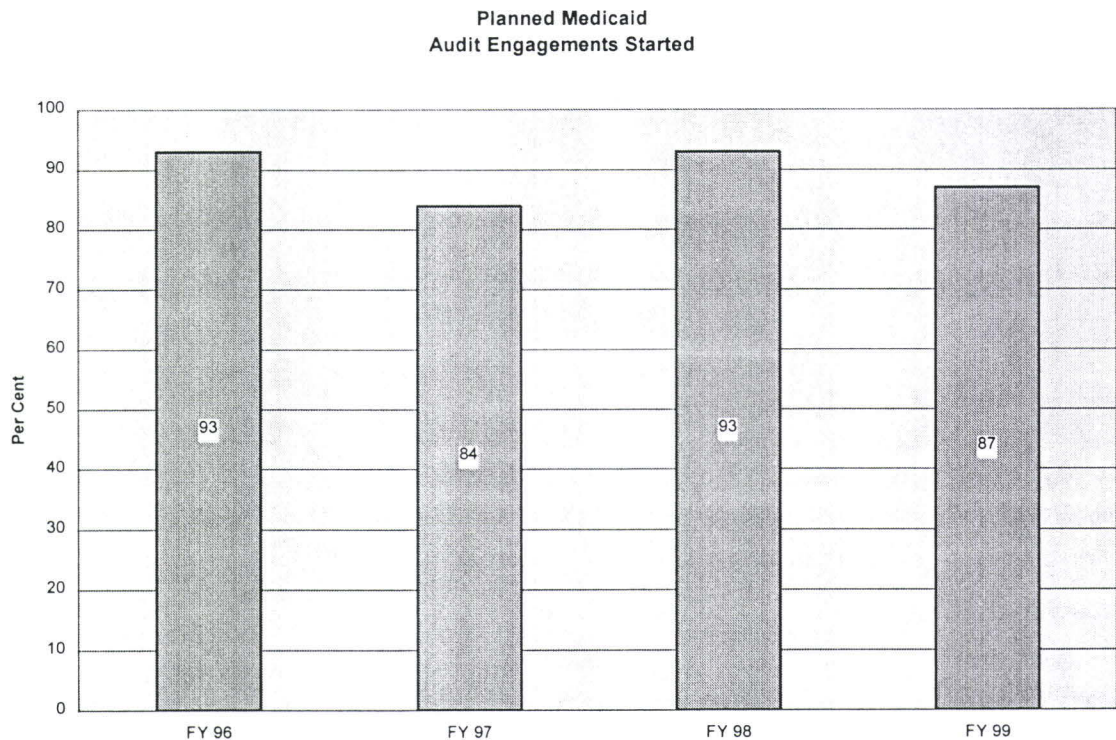
Program Objectives

- 1) Conduct audits and agreed-upon-procedures of the financial and statistical reports of Medicaid providers as necessary to ensure adequate audit coverage for the program.
- 2) Identify overpayments of state and federal Medicaid funds to Medicaid providers.

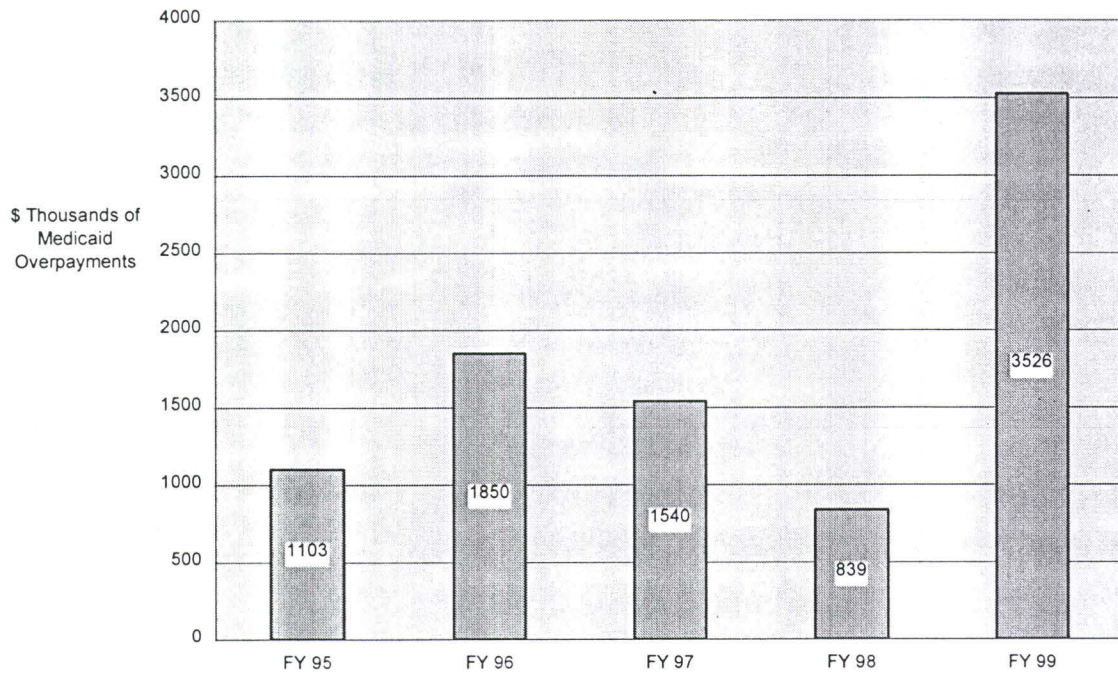
Program Results

Key Business Driver – Eighty-seven percent of the planned audits engagements for the fiscal year were started.

Key Business Drivers – \$3.5 Million of Medicaid overpayments were identified by Medicaid audits during the fiscal year.



Overpayments Identified by Medicaid Audits



Program Name **Hotline**

Program Ranking 3

Program Cost

Funding for this program is provided entirely by State appropriations. In FY 1998-99 the program expended \$859 for telephone charges. Since reports of fraud and misuse of public funds are documented, referred, or investigated by auditors as a part of the State Agency Audits Program, no FTE positions are authorized for this program.

Program Goals

Section 63E.4. of the 1997-98 Appropriations Act states "the State Auditor is directed to maintain a Fraud Hotline, and provide Statewide toll free telephone service for use by citizens of this State to report incidences of waste, fraud, misuse, and abuse of state funds." The goal of this program is to deter fraud, waste, and misuse of public funds and to provide the citizens of the State a means of reporting such actions.

Program Objectives

- 1) Maintain a Fraud Hotline, including toll free access.
- 2) Initiate appropriate action on all calls to the Hotline.

Program Results

Business Drivers - Hotline was operational 100% of the time during the fiscal year.

Business Drivers - Appropriate action was taken on all calls.